

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tidelands Bancshares, Inc./Tidelands Bank

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|--------------------------------|--|--|----------------|
| Point of Contact: | Dorothy Roessler, VP Audit & Risk Management | RSSD: (For Bank Holding Companies) | 3185476 |
| UST Sequence Number: | 246 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 14,448,000 | FDIC Certificate Number: (For Depository Institutions) | 57594 |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | December 19, 2008 | City: | Mount Pleasant |
| Date Repaid ¹ : | N/A | State: | South Carolina |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Although we reduced our outstandings from 2009 to 2010, CPP funds allowed the reduction in loan volume to be less than it would have otherwise been.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

Although the reserve levels were lower at the end of 2010, we charged off \$3.5 million more in 2010 than in 2009. This capital reduced the pressure on bank reserves as we cleared an unusually high volume non-performing assets.

☒ Reduce borrowings.

During 2010, borrowings were reduced by \$78.7 million and wholesale deposits by an additional \$106.8 million

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☒ **Increase charge-offs.**

In addition to the \$11.7 million of charge-offs in 2009, this capital supported an additional \$15.2 million of charge-offs in 2010.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We were able to avoid declining all new credit requests from our creditworthy customers, both retail and commercial. Having credit available to these customers has benefitted the community by allowing these customers to grow their businesses.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

During 2010, we aggressively reduced the risk of the bank by shrinking the balance sheet through the reduction of substantial wholesale deposits and other borrowings. Our capital position allowed us to absorb a level of losses that would have not otherwise been practicable. Wholesale deposits were reduced \$106.8 million (96.8%) and other borrowings were reduced by \$78.7 million (61.8%) during 2010.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

During 2010, we continued to work through credit problems in the portfolio and were able to work through credit issues with our borrowers. Unfortunately, not all situations can be resolved without a negative impact on our financial condition. As such, we experienced \$15.2 million of charge-offs in 2010 related to problem credits. Having the additional capital also has allowed management to focus on dispensing with non-performing assets quicker than would have otherwise been prudent.